

Message Text

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PAGE 01 OECD P 03089 01 OF 02 302340Z

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FM USMISSION OECD PARIS

TO SECSTATE WASH DC IMMEDIATE 0398

S E C R E T SECTION 01 OF 02 OECD PARIS 03089

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FOR SECRETARY FROM ENDERS

E.O. 11652: XGDS

TAGS: ENRG

SUBJECT: IEA ADOPTS LONG TERM PROGRAM

1. IEA GOVERNING BOARD ADOPTED THIS EVENING, JANUARY 30, THE LONG-TERM PROGRAM ESSENTIALLY AS YOU PROPOSED IT IN YOUR FEBRUARY 3RD SPEECH TO THE NATIONAL PRESS CLUB. PROGRAM CONSISTS OF: (A) MINIMUM SAFEGUARD PRICE AT \$7 A BARREL FOB PERSIAN GULF (EQUIVALENT OF \$8 TO \$8.50 LANDED IN U.S.); (B) AGREEMENT TO CONSIDER ON A CASE-BY-CASE BASIS OFFTAKE GUARANTEES TO OTHER IEA MEMBERS JOINING US IN LARGE-SCALE ENERGY PROJECTS; (C) AGREEMENT TO ESTABLISH AN OVERALL R AND D STRATEGY FOR THE GROUP, TECHNICAL ASSISTANCE IN HELPING EACH COUNTRY MAKE UP ITS OWN R AND D PROGRAM, EXPANDED EXCHANGES OF R AND D INFORMATION HELD OR DEVELOPED BY GOVERNMENTS, AND THE FIRST JOINT PROJECTS; (D) ESTABLISHMENT OF CONSERVATION TARGETS, THE MONITORING OF PERFORMANCE, AND EXCHANGE OF INFORMATION ON CONSERVATION TECHNIQUES, AND (E) STANDSTILL ON NEW RESTRICTIONS ON ACCESS OF IEA MEMBERS TO ENERGY INVESTMENT AND SUPPLIES IN OTHER IEA COUNTRIES.

2. AGREEMENT WAS ACHIEVED THROUGH A RECONDITE STRUCTURE OF STATEMENTS AND COUNTER-STATEMENTS OCCASIONED BY
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PAGE 02 OECD P 03089 01 OF 02 302340Z

CANADA'S RESERVATION ON POINT (E) ABOVE. THE

LEGAL POSITION AT THE END OF THIS NEGOTIATION IS THAT ALL MEMBERS OF THE GROUPING ARE FULLY BOUND BY THE -PROGRAM WITH THE FOLLOWING EXCEPTIONS: (A)-JAPAN SPAIN NEW ZEALAND UK, HAVE A "TIME RESERVE" UNTIL THEIR CABINETS FORMALLY CHANGE NEGOTIATING INSTRUCTIONS NEXT WEEK; (B) NORWAY WILL CONSIDER THE PROGRAM FORMALLY UNDER THE TERMS OF ITS AGREEMENT OF ASSOCIATION WITH THE IEA ONLY OVER THE NEXT MONTH; (C) TURKEY WILL RECEIVE A SPECIAL STATUTE (AS YET UNDEFINED) AS A DEVELOPING COUNTRY; AND (D) THE CANADA EXEMPTION IN ACCESS RESTRICTIONS.

3. WITH REGARD TO THE UNITED STATES, THE STATE DEPARTMENT LEGAL ADVISOR INFORMS ME THAT AUTHORITY TO IMPLEMENT THE MINIMUM SAFEGUARD PROVISION IS AVAILABLE TO THE PRESIDENT IN THE NATIONAL SECURITY PROVISIONS OF THE TRADE EXPANSION ACT OF 1963. TO AVOID A SHOWDOWN WITH CONGRESS AT THIS TIME, HOWEVER, WE ARE TAKING THE LINE THAT THE AGREEMENT BINDS THE UNITED STATES TO THE EXTENT THAT AUTHORITY IS AVAILABLE, AND BINDS THE EXECUTIVE TO SEEK AUTHORITY IF IT IS NOT AVAILABLE, AT THE TIME WHEN THE AGREEMENT IS IMPLEMENTED. WE ARE POINTING OUT THAT AUTHORITY IS AVAILABLE IN THE TRADE EXPANSION ACT BUT ARE SAYING THAT WE WOULD CONSULT WITH THE CONGRESS AT THE TIME OF IMPLEMENTATION AS TO WHETHER IT WOULD BE USED OR NEW AUTHORITY SOUGHT. CONSULTATION WITH KEY CONGRESSMEN SUGGEST THAT THIS FORMULA WILL BE ADEQUATE TO PREVENT A LARGESCALE CONGRESSIONAL CHALLENGE TO THE COMMITMENT WE HAVE MADE.

4. WITH THIS AGREEMENT, THE SECOND PHASE OF THE COOPERATIVE EFFORT YOU LAUNCHED AT THE WASHINGTON ENERGY CONFERENCE IS NOW COMPLETE. I AM PROPOSING TO THE AGENCY LATER TONIGHT A THIRD PHASE, LESS AMBITIOUS THAN THE PREVIOUS, BUT ENOUGH TO KEEP IT VIGOROUS. THIS THIRD PHASE WOULD INVOLVE COOPERATIVE ACTION TO DEAL WITH THE THREATENED SHORTAGE OF NATURAL URANIUM; AN EMERGENCY AGREEMENT TO DEAL WITH INTERRUPTIONS IN COAL TRADE WITHIN THE IEA, MAKING POSSIBLE A LARGE EXPANSION OF IT; AN AGREEMENT THAT IEA

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PAGE 03 OECD P 03089 01 OF 02 302340Z

MEMBERS WOULD REQUIRE THE LICENSING ON FAIR AND NEGOTIATED TERMS TO OTHER IEA MEMBERS OF ALL NEW TECHNOLOGY IN THE ENERGY FIELD; AND POSSIBLY SOME FRAMEWORK FOR COORDINATING BILATERAL OIL DEALS WITH THE PRODUCERS IN ORDER TO PROGRAM OPEC EXCESS CAPACITY AS MUCH AS POSSIBLE AWAY FROM FRIENDLY COUNTRIES AND ON TO THE RADICALS.

5. IT WAS CLEAR FROM THE BARGAINING TODAY THAT ALL

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PAGE 01 OECD P 03089 02 OF 02 302335Z

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S E C R E T SECTION 02 OF 02 OECD PARIS 03089

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COUNTRIES, MANY OF WHOM FOUND THE PROGRAM DIFFICULT TO ADHERE TO, HAD A MAJOR STAKE IN THE AGENCY'S SUCCESS. THE URGE TO TAKE SOME ACTION TOGETHER IN THE FACE OF CONTINUING OPEC DOMINATION OF OIL PRICES IS AS STRONG NOW AS EVER; THIS OBJECTIVE SITUATION CONTINUES TO BE PROPITIOUS TO OUR POLITICAL OBJECTIVES.

6. ON THE OTHER HAND, IT IS CLEAR THAT IT WILL BE A LONG TIME, IF EVER, BEFORE THE AGENCY CAN AGAIN -PSYCH OPEC AS IT DID LAST WINTER. FOR THAT TO HAPPEN, THERE WILL HAVE TO BE SOME MAJOR BREAK IN THE OPEC PRICELINE, AS WELL AS SUBSTANTIAL GROWTH ON THE BASE OF CONSUMER COOPERATION NOW AVAILABLE.

7. AS THE PROCESS IS PLAYED OUT, THERE NOW APPEARS TO BE A STRONG CHANCE THAT THE EUROPEAN COMMUNITY (INCLUDING FRANCE) WILL TAKE THE MINIMUM SAFEGUARD PRICE AS THE BASIS OF ITS ENERGY POLICY. ACTUAL IMPLEMENTATION BY THE COMMUNITY MAY TAKE UP TO SIX MONTHS; AND CHANCES THAT FRANCE WILL FORMALLY ENTER THE AGENCY ARE AS REMOTE AS EVER. HOWEVER, WE SHOULD HAVE IN THE COURSE OF THE YEAR THE FUNDAMENTS OF A UNIFIED MARKET FOR ENERGY THROUGHOUT THE INDUSTRIAL WORLD. IF WE CAN CONTINUE TO BUILD ON THIS, WHEN THE ACTUAL RESULTS IN INVESTMENT AND TECHNOLOGY AND REDUCED CONSUMPTION BEGIN COMING IN TOWARD THE END OF THE 1970'S, WE

SHOULD HAVE A POWERFUL BASE FROM WHICH TO DEAL WITH
OPEC, AS WELL AS FROM WHICH TO ASSERT OUR POLITICAL
LEADERSHIP IN THE INDUSTRIAL WORLD.

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PAGE 02 OECD P 03089 02 OF 02 302335Z

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